City of Reynoldsburg, Ohio
Debt Policy
December 1, 2017

The purpose of this debt policy (the "Debt Policy") is to establish parameters and provide guidance governing the issuance, management, evaluation, and reporting on all debt obligations of the City of Reynoldsburg, Ohio (the "City"). Implementation of this policy will provide a framework for the decision-making process and demonstrate the City's commitment to long-term fiscal sustainability and sound financial planning. Adherence to a debt policy helps to ensure that a government maintains a sound debt position and that its long term credit quality is protected.

The Debt Policy is not intended to unduly restrict the debt program of the City. It is intended to guide the City and provide both City Council and Administration a framework for making debt related decisions. From time to time, debt proposals with characteristics that deviate from the parameters described below may be advantageous to the City. If such proposals are brought to City Council, it shall be fully disclosed as to the extent to which the proposals comply with this policy. In instances where proposals are not in compliance with the policy, those aspects of the proposals shall be disclosed and a rationale for deviating from the policy will be provided.

Inventory possible financing options: This Debt Policy identifies the City Auditor (the "Auditor") as chief debt officer of the City. The Auditor shall use the following inventory of possible financing options as a guide when developing a plan of finance for any given capital project.

Cash Financing from Available Sources: The City has historically paid for a significant portion of its capital budget on a cash basis. The City expects to use cash to pay for capital expenditures that recur on a routine basis or when reserves are available that are not expected to be needed for other purposes in the foreseeable future.

Before the issuance of debt, the Auditor shall confirm that the project or acquisition cannot first be accomplished with the use of cash on hand or it would be more advantageous to finance the project. Available cash may come from several sources including general fund cash, capital projects funds, grant proceeds, donations, proceeds from the sale of assets, or any other legally available funds.

Types of projects where cash funding is appropriate and encouraged fall under the following categories:

- The purchase of assets whose lives are shorter than five years.
- Recurring maintenance expenditures (i.e. street repair vs. street reconstruction).
- When market conditions are unstable or present difficulties in achieving acceptable borrowing rates.

Lease Agreements and Alternative Financing Sources: The City will actively seek alternative sources of financing including lease agreements, grants or low interest loans. Leasing arrangements may be offered by banks or leasing companies and grants and low interest rate loans may be offered through federal, state, or local programs as an alternative to entering the capital markets. Such grant and loan programs might include, OWDA or OPWC loans and State Infrastructure Bank Loans. All reasonable sources of low cost capital will be considered prior to recommending bond or note financing to City Council.

The goal in seeking such alternatives is to (i) reduce the cost of capital and (ii) preserve the debt capacity of the City and its various enterprises. Such programs often offer non-callable loan programs for a period of up to 30 years. These non-callable financing options should normally be considered (i) during periods of low interest rates and (ii) when it is clear that the use of such programs has the least impact on future rate increases (in the case of utility projects), if applicable.

The Auditor in consultation with administration and City Council shall determine if the use of these programs meets the financing goals and objectives of the City. To the extent such a program or loan satisfies the goals and objectives above, the Auditor will recommend to City Council to use the program or loan to finance the project or acquisition. The Auditor will advise City Council if there are other overriding considerations, which make using such program impractical. Such instances may include timing concerns, program limitations and environmental requirements.

Use of General Obligation Debt: The City intends to use general obligation debt for non-enterprise capital improvements which the City considers to be part of its long term capital improvement program. To the extent that the City has sufficient general obligation capacity under the direct and indirect statutory debt limits the City will consider issuing general obligation bonds for its enterprise related (i.e. water, sewer, and storm water) capital improvements as well.

Debt Limits: All debt issued by the City shall conform to State law including constitutional and statutory debt limitation and Ohio's Uniform Bond Law related to the issuance of voted and un-voted general obligation bonds and notes and revenue obligations. The City shall structure all transactions to avoid exceeding such debt limitations. The Auditor shall use his/her best effort to preserve the City's direct un-voted general obligation capacity of at least 10% to address any future, unforeseen or extraordinary events which may require an immediate infusion of capital into the City's infrastructure, facilities or equipment. Such minimum capacities will be reviewed by the Auditor from time to time and are subject to change as needed and recommended by the Auditor. A pledge of the City's income tax may be utilized to exempt un-voted general obligation bonds from the City's direct debt limit in order to meet the goals of this policy.

Direct Debt Limits: The City's Direct Debt Limits are outlined in the attached Addendum.

Indirect Debt Limit: The City's Indirect Debt Limit is outlined in the attached Addendum.

Integration with Capital Improvement Program: Issuance of debt shall generally be related to and integrated with the City's long term capital improvement program. The City has a comprehensive rolling 5-year capital improvement program which is updated annually by the Auditor in cooperation with the Administration and presented to City Council for review and approval.

Source of Repayment: The Auditor shall identify and make recommendations to City Council regarding the specific revenue source(s) to be used to repay the proposed debt obligations, along with expected impacts on the operating budget, rates, or user fees prior to the issuance of the debt. Such revenue should be adequate to cover debt service charges for the full term of the repayment period. When such revenue streams are also used for operations (such as income tax revenues) the debt obligations should be structured so as not to burden the City's general fund or ongoing operations.

Cash Flow Borrowing: The City has no intention of borrowing for cash flow purposes. Borrowing will be limited to long term capital expenses only.

General Terms of Debt Issuance: The maximum term of any debt issuance by the City shall be limited to the useful life of the assets(s) being financed. The City has the option to issue debt for a shorter period of time if it is deemed appropriate by the Auditor. Generally, any debt taken on by the City shall have a level repayment schedule avoiding any balloon or bullet maturities. With respect to long term fixed rate debt issuances the City shall use its best efforts to utilize optional redemption features that give the City maximum flexibility with respect to refinancing and restructuring debt in the future.

Short-Term Debt Guidelines: The City shall consider the use of short term notes (i.e. notes with final maturities of five years or less) as a source of permanent financing for projects that have a short anticipated repayment period (five years or less) or an accelerated amortization period (i.e. repayment of a 20 year asset over 5 years). Additionally, notes may be used as a temporary funding source prior to and in anticipation of a bond sale. The City may also consider notes when there is an immediate need for financing less than $5 million. Short-term notes are suitable as long term financing tools designed to manage interest costs. If short term notes are being utilized for long-term financing, the City shall schedule annual principal payments similar to a fixed rate bond issue.

Long-Term Debt Guidelines: Long-term bonds are recommended for projects having useful lives of ten years or longer and for amounts of $5 million or greater.

Criteria for issuance of advance refunding and current refunding bonds: Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. Refunding will be considered (within federal tax law constraints) if and when there is a net economic benefit of at least 3%-5% of the amount refunded or if the refunding is essential in order to modernize covenants to thereby improve operations and management.

Economic Development: From time to time, the City is asked to support economic development projects through the creation of tax increment financing (TIF) districts. The City will be guided by the following policies in determining the level of support that it will provide to TIF projects.

- **General Obligation Support:** The City will consider placing its general obligation support behind an issuance of TIF supported bonds if the proceeds are being used to construct capital improvements already part of the City's long term capital plan. As a general rule, the City will not lend general obligation support for developer driven projects where the improvements would not be consistent with the City's long-term economic development objectives.

- **Development Risk:** The City will use its best efforts to avoid assuming "development risk" – the risk that a project will be completed on a timely basis and generate the assessed valuation projected by the developer. The City will seek meaningful guarantees from the developer to insulate the City against development risk. Tools available to reduce the City's exposure to development risk include personal or corporate guarantees from the developer, letters of credit provided by the developer, guaranteed minimum TIF payments, and the issuance of TIF revenue bonds directly to the developer.

Selection of Finance Professionals: As chief debt officer of the City, the Auditor shall have the authority to make decisions related to the use of financing instruments with approval from City Council so long as such decisions are made in accordance with this Debt Policy. The Auditor shall seek the advice and guidance of the appropriate financial consultants when evaluating the use of any financing instrument including forgivable and zero percent loans offered by Federal, State, or other agencies. Those financial consultants can include but are not limited to municipal advisors, public finance investment bankers, bond counsel, accounting firms, State of Ohio Auditor's office, County Auditor's office, and the City's law director. The Auditor shall have the authority to determine which consultants to seek advice and guidance from on a case by case basis. The Auditor may retain the services of any qualified financial professional to assist the research and execution of a financing instrument on any basis that the Auditor and administration deems appropriate and most beneficial to the City pursuant to the goals and objectives contained herein. The terms of any agreement with financial or legal professionals shall be determined by the Auditor based on his or her best efforts to retain the greatest possible representation and expertise for the City at a cost that is commensurate with the value of the successful financing initiative(s), subject to approval by City Council. The Auditor shall maintain the authority to change the City's financial consultants at any time.

Investment of Proceeds: The Auditor will invest project proceeds subject to the City's Investment Policy, as adopted by City Council, in a timely manner. If a Trust Indenture is created, then the specific language of that indenture will be followed if it is more limiting than the City's Investment Policy.

Use of Credit Ratings: The City currently maintains a "Aa2" general obligation rating with Moody's Investor Service. The City will use its best efforts to maintain its rating over time and will provide updated City financial information (such as audited and unaudited financial statements) on an annual basis and any additional requested information in a timely fashion upon request from the rating agency. Rating requests related to the issuance of securities shall be made by the Auditor on a case by case basis. Rating surveillance and rating requests shall be given full attention in an effort to maximize the rating outcome. When engaging with a rating agency on a formal basis, presentations should include but not be limited to full and complete economic, management and financial updates, a detailed review of financial and managerial policies and procedures, economic development updates and any other key factors considered in the then current rating criteria published by the rating agency.

Market Disclosure Practices: The City will report on an annual basis all financial information to the Municipal Securities Rulemaking Board through EMMA as required by all applicable continuing disclosure agreements and laws. This information will include the City's audited financial statements. The City maintains a Post Issuance Compliance Policy and acknowledges the City's responsibilities with respect to the provision of annual continuing disclosure requirements and pledges to make all reasonable efforts to assist in complying with SEC (Securities and Exchange Commission) Rules and MSRB (Municipal Securities Rulemaking Board) Rules.

Derivative Products: The City does not currently expect to entertain the use of derivative products including swaps, swaptions or other long term interest rate management contractual relationships. It will not entertain purchasing such products until such time as such issues as counterparty risk, collateral requirements, termination risk and other risk factors have been formally incorporated into the City's debt policy and shared with the rating agencies.

Other Directives: Annually, the Auditor shall prepare and present to City Council an executive summary of the City's current debt profile. The debt summary shall include the following items:

1) Current outstanding General Obligation Debt by issue
2) Current outstanding Revenue Debt by issue
3) General Obligation Debt Capacity (Unvoted)
4) General Obligation Debt Capacity (Voted)
5) Revenue Bond capacity
6) Existing loans through OWDA, SIB, etc. by loan
7) Existing leases by purpose
8) The most current rating agency report

The Auditor may include any additional information he or she feels effectively communicates the City's overall debt position.

Addendum
As of December 1, 2017

This Addendum to the Debt Policy outlines the City's current Direct and Indirect Debt Limits as of the date of this Addendum. This Addendum may be updated from time to time as needed, or as determined by the Auditor.

Direct Debt Limits: The statutory General Obligation debt limits of the City are 10.5% of its Assessed Value for voted debt and 5.5% of its Assessed Value for unvoted debt. Certain issuances of General Obligation debt are exempt from the Direct Debt Limit Calculations such as "self-supporting" enterprise debt. Below is a table outlining the City's Direct Debt Limits, outstanding general obligation debt and balance of unvoted general obligation debt remaining:

Direct Debt Limit

City's Assessed Value 2016	$675,558,865.00
Voted - Maximum Allowable (10.5%)	$70,933,680.83
Unvoted - Maximum Allowable (5.5%)	$37,155,737.58
Outstanding Voted GO Debt	$0.00
Outstanding Unvoted GO Debt	$13,040,500.00
Unvoted GO Debt Exempt from Limit	$13,040,500.00
Unvoted GO Debt Subject to Limit	$0.00
Balance of Unvoted GO Debt Limit	$37,155,737.58
10% of Unvoted Debt Limit	$3,715,573.76

As stated in the Debt Policy, the Auditor shall use his or her best efforts to preserve the City's direct un-voted general obligation capacity of at least ten percent. Ten percent of the City's current direct un-voted debt limit is $3,715,573.76.

Indirect Debt Limit: The indirect debt limit, often referred to as the "ten-mill limitation" is the maximum aggregate millage for all purposes that may be levied on any single piece of property by all overlapping taxing subdivisions within the County without a vote of the electors. The City boundaries fall into three counties including Franklin, Licking and Fairfield and are subject to the ten-mill limitation in each of the three counties. Below is a table outlining the current 10 mill requirements for the City and its overlapping subdivisions in Licking County which currently has the lowest balance available millage under the 10 mill requirements:

Overlapping Subdivisions	Tax Valuation	Estimated Debt Service	Required Mills
Licking County	$3,949,450,499.00	$2,267,517.00	0.57413
Reynoldsburg City	$675,558,865.00	$2,147,910.05	3.17946
Etna Township	$362,987,100.00	$153,353.00	0.42248
Southwest Licking Local School District	$620,249,103.00	$1,053,325.00	1.69823
C-TEC JVSD	$4,086,170,645.00	$339,138.00	0.08300
Solid Waste Authority of Central Ohio	$28,381,615,010.00	$11,227,378.00	0.39559
Total Required Mills			6.35288
Balance of Limitation			3.64712

As of December 1, 2017, approximately 3.64712 mills remain within the ten-mill limitation which has yet to be allocated to debt charges and which is available to the City and overlapping subdivisions in connection with the issuance of additional un-voted general obligation debt. In no case will the City issue general obligation debt for capital improvements that could be financed through the issuance of revenue bonds if such issuance would reduce the available millage under the constitutional ten mill limit to below 2 mills.